



# State of Utah

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Kathleen Clarke  
Executive Director

Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

February 21, 2001

*Contract  
replaced  
11/19/01.*

TO: Lowell P. Braxton, Director *LB for*


THRU: Mary Ann Wright, Associate Director

THRU: Wayne Hedberg, Permit Supervisor *DWH*

FROM: Anthony A. Gallegos, Senior Reclamation Specialist *aag*

RE: Request for Approval of Form and Amount of Surety Bond Rider and Replacement Reclamation Contract, SF Phosphates Limited Co., Vernal Phosphates Operation, M/047/007, Uintah County, Utah

In July 2000 we notified SF Phosphate of a drop in the rating of their surety company, United Pacific Insurance Company from a B++ "(secure "very good") rating to a C (vulnerable "weak") rating. We informed SF Phosphate of rule-making which may require replacement of reclamation sureties with low ratings.

On January 16, 2001, we received a rider  from Travelers Casualty and Surety Company of America which replaced the United Pacific Insurance Company surety bond in the same amount of \$2,024,000. We then requested SF Phosphate provide a replacement Reclamation Contract to reflect the new surety company name and surety bond number. A replacement Reclamation Contract was received on February 6, 2001.

Travelers Casualty and Surety Company of America has an "A" rating and is on the federal register listing of acceptable bonding companies. The Division's legal counsel has reviewed the documents for accuracy and is in agreement with their acceptance (see attached e-mail message).

The Division is currently reviewing a permit revision for the SF Phosphates operation which will require an adjustment in the amount of reclamation surety. This review is expected to be complete within the immediate future, at which time the surety amount will be escalated five years to year 2006.

If you are in agreement with the acceptance of the surety bond rider and the replacement Reclamation Contract, please sign and date the documents. We will then forward the signed and executed copies to SF Phosphate for their files. Thank you for your consideration of this request.

*Agree LPS 2-21-01*

jb

Attachment: e-mail - Kurt Seel

Enclosure: MR-RC & surety rider

OAM47-07-dir-mem

FORM MR-RC  
Revised January 18, 2000  
RECLAMATION CONTRACT

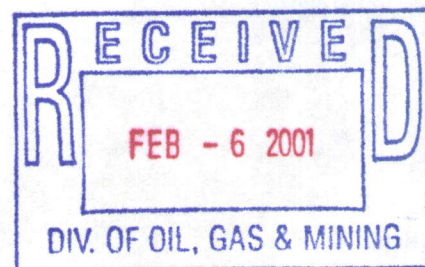
File Number M/047/007

Effective Date Feb 21, 2001

Other Agency File Number UTD-76097

*VP*

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION of OIL, GAS and MINING  
1594 West North Temple Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
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RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M/047/007  
(Mineral Mined) Phosphate

"MINE LOCATION":  
(Name of Mine) Vernal Phosphates Operation  
(Description) 11 miles North of Vernal, Utah  
in Uintah County

"DISTURBED AREA":  
(Disturbed Acres) 861.7  
(Legal Description) (refer to Attachment "A")

"OPERATOR":  
(Company or Name) SF Phosphates Limited Co.  
(Address) 9401 North Highway 191  
Vernal, UT 84078-7802  
(Phone) (435) 789-7795

"OPERATOR'S REGISTERED AGENT":

(Name)

William H. Adams

(Address)

170 South Main, Suite 1225

Salt Lake City, Utah 84101

(Phone)

(801) 359-1980

"OPERATOR'S OFFICER(S)":

John Weber - Vice President of Operations

"SURETY":

(Form of Surety - Attachment B)

Surety Bond

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Travelers Casualty & Surety Co of America

"SURETY AMOUNT":

(Escalated Dollars)

\$2,024,000

"ESCALATION YEAR":

1998

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between SF Phosphates Limited Company the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/047/007 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated June 20, 1977, and the original Reclamation Plan dated June 20, 1977. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's



request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

SF Phosphates Limited Company

Operator Name

By John R. Weber  
Authorized Officer (Typed or Printed)

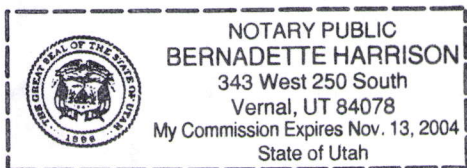
Vice President of Operations  
Authorized Officer - Position

John R Weber  
Officer's Signature

1/29/01  
Date

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss:

On the 29 day of JANUARY, 20 01, personally  
appeared before me JOHN WEBER who being  
by me duly sworn did say that he/she, the said VICE President of operations is  
the AUTHORIZED OFFICER of SF Phosphates Limited Company  
and duly acknowledged that said instrument was signed on behalf of said company by  
authority of its bylaws or a resolution of its board of directors and said  
\_\_\_\_\_ duly acknowledged to me that said company  
executed the same.



Bernadette Harrison  
Notary Public  
Residing at: 343 W. 250 So.  
Vernal, UT 84078

November 13, 2004  
My Commission Expires:

DIVISION OF OIL, GAS AND MINING:

By Lowell P Braxton  
Lowell P. Braxton, Director

2-21-01  
Date

STATE OF Utah )  
COUNTY OF Salt Lake ) ss:

On the 21<sup>st</sup> day of February, 2001,  
personally appeared before me Lowell P. Braxton, who being  
duly sworn did say that he/~~she~~, the said Lowell P. Braxton  
is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources,  
State of Utah, and he/~~she~~ duly acknowledged to me that he/~~she~~ executed the foregoing  
document by authority of law on behalf of the State of Utah.



Victoria A. Bailey  
Notary Public  
Residing at: Salt Lake City, UT

February 29, 2004  
My Commission Expires:





## ATTACHMENT "A"

SF Phosphates Limited Company  
Operator

Vernal Phosphate Operation  
Mine Name

M/047/007  
Permit Number

Uintah County, Utah

### The legal description of lands to be disturbed is:

Lands to be disturbed are in Uintah County, Utah and include portions of:

SE 1/4 Section	18,	Township 2 South,	Range 22 East,	SLBM
NE 1/4 Section	19,	Township 2 South,	Range 22 East,	SLBM
SE 1/4 Section	19,	Township 2 South,	Range 22 East,	SLBM
NE 1/4 Section	30,	Township 2 South,	Range 22 East,	SLBM
SE 1/4 Section	30,	Township 2 South,	Range 22 East,	SLBM
SE 1/4 Section	31,	Township 2 South,	Range 22 East,	SLBM
SE 1/4 Section	36,	Township 2 South,	Range 21 East,	SLBM
NW 1/4 Section	17,	Township 2 South,	Range 22 East,	SLBM
SW 1/4 Section	17,	Township 2 South,	Range 22 East,	SLBM
Section	20,	Township 2 South,	Range 22 East,	SLBM
NE 1/4 Section	29,	Township 2 South,	Range 22 East,	SLBM
NW 1/4 Section	29,	Township 2 South,	Range 22 East,	SLBM
SW 1/4 Section	29,	Township 2 South,	Range 22 East,	SLBM
NW 1/4 Section	32,	Township 2 South,	Range 22 East,	SLBM
SW 1/4 Section	32,	Township 2 South,	Range 22 East,	SLBM
NE 1/4 Section	1,	Township 3 South,	Range 21 East,	SLBM
NW 1/4 Section	5,	Township 3 South,	Range 22 East,	SLBM
NW 1/4 Section	6,	Township 3 South,	Range 22 East,	SLBM
NE 1/4 Section	6,	Township 3 South,	Range 22 East,	SLBM

See Attached Map  
Titled Map A